

ANIME IN THE MAINSTREAM

How the Japanese Animation Industry is Developing
Global Influence in Business and Pop Culture

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Wainhouse Research White Paper:
Anime in the Mainstream

Anime: Japan's Most Misunderstood Export Spawns New Business Opportunities

Perhaps the greatest strength of the Japanese economy is its ability to improve a product through iterative development cycles to create an offering worthy of being considered a world-class competitor that belongs on the global stage.

This pattern, first applied by the Japanese in the electronics and automotive industries, now is taking hold in a new breed of export: animation. What was once seen by some as an imitation of Disney in the 1960s is flowering into its own vibrant multi-billion-dollar industry that is poised to take the 21st century entertainment sector by storm.

Animation in Japan has always been different from animation in the United States. American animation has garnered popularity in only a handful of content categories (most notably in comedy and shows made to sell merchandise to children). In comparison, Japanese animation since its inception has been used for all types of content genres. This wider range of demographic appeal, coupled with a deep talent pool of Japanese animators, has fostered the emergence of a vibrant Japanese content ecosystem that has yet to fully flower in the American market.

The Japanese anime revolution did not go unnoticed by the outside world. Quality will always be appreciated by the marketplace, and the combination of thought-provoking stories with beautiful artwork produced a cult following for the medium in the West during the 1970s. What began with fans trading fan-subtitled pirated video tapes gave way over time to actual businesses acquiring the rights to shows and producing professional translations.

The anime industry continued to have healthy growth throughout the 1980s, both in Japan and around the world.¹ The late 1980s and 1990s saw the seeds of interest in Japan being planted in the minds of Westerners, particularly among younger viewers.

While viewed by some as a niche content category, anime is proving to be an engine that drives commercial activity – from content production and video game development to merchandising and fan events.

¹ [Anime News Network -- Overseas Growth report April 2018](#)

This interest was primarily related to the growth of video games, but anime also benefited from the fad (Children who enjoyed playing with the Pokémon video game or the Yu-Gi-Oh card game would be interested in watching the anime adaptations of the properties and vice versa).

Today, after much cultivation, the seeds planted in the 1980s and 1990s are bearing fruit. The kids who watched anime in the 1980s and 1990s are still consuming the product and are passing their own viewing habits to their own children.² As this trend takes hold and combines with other market influences (such as growing access to digital content in emerging markets like China), plenty of factors point to a brighter future for the anime industry.

Growing acceptance of anime is drawing new attention to the market and its potential for fostering new business. Over the course of the next year, Wainhouse Research plans to publish a series of white papers designed to measure the growing impact that anime is having on a range of industry segments.

Although viewed by some as a niche content category, anime is proving to be an engine that drives commercial activity – from content production and video game development to merchandising and fan events. Indeed, it can be argued that anime already has emerged as a truly mainstream mode of entertainment.

In this report, Wainhouse Research summarizes the key trends shaping the markets most impacted by the rise of Japanese animation.

Key Factors Fueling Anime's Ascent

More viewers than ever before are investing themselves – both in terms of mindshare and money – in anime-related content. Evolving market dynamics are helping to spur this adoption trend.

Audience demographics certainly loom large in any discussion of anime's ability to sustain growth over the long term. The age of anime consumers, for instance, skews decidedly younger when compared to other more established media environments, such as traditional television. For example, three-fourths of the two million paying subscribers for Crunchyroll³ (a popular anime streaming site) are under the age of 35, while the median age of those viewing free content on that platform is 18.

² [Sunset Animation -- Consumer Demographics report -- Jan 2018](#)

³ [Digiday -- Crunchyroll subscriber report -- Nov 2018](#)

Demographics like this will help fuel growth for the industry for the foreseeable future, minimizing concerns over viewer attrition that threaten other segments of the entertainment industry that appeal to aging audiences. The median age of viewership for major broadcast TV networks in the United States, for instance, is 53 years of age – a demographic that offers scant hope for long-term growth.⁴

While anime now attracts a younger audience, it is not just for kids. Children who enjoy *Digimon* can become teens that can watch *Darling in the Franxx* and *Death Note* and go on to enjoy more mature shows like *Neon Genesis Evangelion* or *Elfen Lied* when they reach adulthood. This ability of the medium to mature with its audience illustrates how anime can hold its appeal with viewers throughout their lives.

Even though anime is well-positioned in terms of age demographics, the genre still has other market segments that can be mined for additional growth. Gaining female and minority viewers, for instance, represents both a key challenge and opportunity moving forward.

Plenty of shows that cater specifically to the female demographic are already in production. Examples include Shojo content that appeals to young girls and Josei content that appeals to older women. Likewise, many shows that portray themes such as self-determination and the importance of family have the potential to resonate with minority viewers the same way that they appeal to current audiences.

In fact, one of anime's key differentiators as a media genre is the diversity of its content. Whether a viewer wants to watch an adventure taking place on another world, a chilling mystery, a touching romance, or a sci-fi epic, anime has something that they can enjoy. The question that the industry faces in North America is how to connect prospective audiences with the content most relevant to them.

While many viewers may still associate anime with the Japanese market, the genre is having a clear cultural impact on North America today – and has quietly wielded that influence for the better part of the past decade. Examples of this rising influence include:

- Quentin Tarantino used a 7 min, 30 sec animated sequence to show a character's backstory in *Kill Bill*.
- Live action adaptations of anime like *Ghost in the Shell*, *Death Note*, *Speed Racer* and a planned *Akira* adaptation show interest in stories with anime roots.
- Other Hollywood films embrace aspects of the anime culture (Consider the case of *Ready Player One* with its plethora of pop cultural references, or *Pacific Rim* with its giant robot fights)

⁴ [Business Insider -- median audience age report -- May 2018](#)

- Popular celebrities like singer Kanye West, football player Mike Daniels, or businessman Elon Musk openly talk about their love of anime. These public declarations of support for the industry demonstrate that watching anime is a normal and socially acceptable pastime.
- Interest in Japanese culture in general has increased over the past 20 years. Acceptance of Japanese pop music (J-Pop), video games, and even food like sushi from Japan will help anime by making the medium seem less foreign to American audiences.

The growing influence of anime on the western zeitgeist has created a cultural shift in how anime is perceived, especially among young adults. The increased role that anime plays in the average person's entertainment mix (whether from Netflix, traditional TV or other sources) is helping anime to forge a beachhead as a mainstream media genre. This puts anime light years ahead of its one-time role as a novel, niche media import.

Anime's expanding role in the media landscape sets the stage for revenue opportunities in a range of market segments that WR categorizes as "Pillars" of the anime business. Understanding these pillars will be critical to recognizing the potential of this medium. Deeper investigation and quantification of these segments will be done in future papers in this series.

Pillar #1: Production and Distribution of Anime Content

As is the case with any segment of the entertainment industry, the foundation that supports the entire business ecosystem is the development of the content itself. Without programming production – and the resulting stories and characters that come from content development- retailers would have no merchandise to sell, developers would have no video games to create and fans would have no interest in attending anime events.

A prolific ecosystem of content production is opening new opportunities for growth across the world of anime. The Japanese animation industry has generated substantial gains in the number of shows produced per season during the last 20 years. In the 1990s, the industry would produce an average of nearly 40 shows annually. This total had risen to 105 shows by 2003 and nearly 200 shows in 2017.⁵ In fact, many anime studios are operating at full capacity and have booked calendars until 2020.

⁵ [Vertical Slice Media -- anime production report -- March 2018](#)

This increase in production demonstrates that the industry is not only healthy but growing. The increase in the quantity of shows has contributed to greater variety in the content marketplace, which allows consumers to watch shows that better suited to their tastes. In addition, other factors like production efficiency and profitability tend to scale as production increases, which makes the observed growth even better for the industry.

Wainhouse Research is still producing its own sizing of the market, but we expect that our findings will be in line with a variety of groups that have pegged the size of the industry in the billions with estimates ranging between \$15 and \$20 billion in annual revenue globally.

The growth that anime is experiencing right now is not an accident. It is the result of a perfect storm of new and historical trends that have combined to fuel increased consumer interest in the anime segment.

The Japanese animation industry produces a high-quality product. While taste is subjective, the quality of the animation in anime is constantly praised by its fanbase. These fans are not alone: movies like *Spirited Away* or *The Wind Rises* have not only earned critical acclaim, but they have won awards for their quality. The Academy Award *Spirited Away* won and the Golden Globe for *The Wind Rises* are testaments to how far the industry has come from its early days.

The creative output and high quality of the industry has been a major factor in the growth of anime's popularity. The dedicated fan base that has grown around the medium is appealing to entertainment providers trying to further develop their platforms. Streaming services like Netflix, Amazon, and Hulu are adding anime or anime like shows to their lineup.⁶ Even platforms like YouTube that don't seek specific content are inundated with fan videos (whether straight rips of content, commentary, or parody) which lead to even greater exposure for the medium. The positive feedback loops from businesses and consumer alike, spur the creation of more content, which in turn produces more popularity. This system is a powerful force in favor of the industry.

Anime also is drawing investment interest. AT&T's WarnerMedia and Sony, for instance, have each invested more than \$100 million to acquire major streaming franchise such as Crunchyroll and Funimation.

A major issue that the industry must address in coming years is the production challenge posed by the ever-growing demand it is facing. As illustrated in Figure 1, the costs of animation production can vary widely. Desired production values and preferred production approaches both can have a substantial impact on the cost of creating anime

⁶ [/Film – Netflix will Add 30 New Anime Series in 2018 – Feb 2018](#)



Figure 1: Estimated Production Cost differences between “The Simpsons Movie” and “Five Centimeters Per Second”; source IMBD ; exact costs of production will vary across the board for a variety of reasons.

– an expense that largely determines a show’s profitability. It is incumbent upon content creators to match their production ambitions with the audience (and related revenues) that their shows can attract.

Identifying the tipping point for anime profitability will become an even more challenging proposition in the years ahead as new technologies begin to change the anticipated costs of content creation. For example, improved production techniques, including use of computers for automation of parts of the animation process, are being increasingly used throughout the industry to trim the costs of creating content. Another potential source of increased productivity is the outsourcing of other parts of the animation process to other countries like Korea, Singapore, Malaysia and the Philippines.

Pillar #2: Anime Merchandising

Animated shows are not the only aspect of the anime industry that can make money. Significant value also comes from merchandising – the development of products directly inspired by anime content or branded with licensed anime characters. Seen by many as a highly effective tool in fostering fan engagement and boosting brand awareness, merchandising can also play a significant role in contributing to the bottom-line success of anime content creators.

Products with ties to anime themes are sold through a range of venues:

- Online storefronts are similar to other e-commerce sites like Amazon, but with a narrower focus.
- Deals between license holders and more traditional merchants allow for merchandise to be sold at mainstream big box retailers like Walmart and Target.

- Targeted locations with anime ties. For instance, merchandise can be sold directly to fans attending anime conventions or in specialty stores that trade directly in this type of product.

The online segment of anime-related retail is very divided, with a range of competitors, such as Omnime, Amiami, Jlist, the Crunchyroll online storefront and Otakumode. Each site specializes in a specific type of merchandise (one might sell mainly figurines, but another might focus on manga sales). This specialization allows consumers to select a shopping experience best suited to their preferences.

Larger, more general online stores like Amazon only have a token presence in the sector at this time but may have difficulty establishing a dominating presence. The fickle and short lifespan of anime's content popularity makes it risky for large retailers to stock and sell thematic merchandise.

Lacking the market knowledge of dedicated anime retailers, large stores could easily misjudge the popularity of a show and its merchandise. Shows tend to fall out of favor very quickly, leaving retailers vulnerable if they are stuck with warehouses of merchandise that may lose their popularity and become unsellable.

The vast majority of purchases (up to 70%) via online channels are made by hardcore anime fans. These dedicated fans tend to buy products from the more expensive end of the market, preferring high cost figurines to cheaper items like keychains.

The branded backpacks and lunchboxes bought in physical stores tend to be cheaper and appeal to a different demographic than high-end purchases. Further research is needed, but it might be productive to think of these two sections of the market (online storefronts catering to hardcore fans and physical locations offering a more broad and accessible experience) as two completely different segments. In this model a truly successful brand will have to balance its appeal to each part of the market and target retailer to maximize its influence.

Finally, conventions are a good way to sell merchandise. Independent artists can earn an average of between \$1,000 and \$4,000 selling their drawings/handcrafted goods at a



Figure 2: This high quality 1/8 scale model of a popular anime heroine isn't cheap; it will set the buyer back \$130 USD when bought from the online store Jlist

convention.⁷ In North America, buyers tend to purchase from established producers while those attending Japanese conventions favor independent artists.

Some anime brands will be a better fit for each market and retailer combination than others. Certain shows can be considered “evergreen” and maintain popularity for decades after they air, offering extended windows of merchandising opportunity. Others may have shorter windows but capture more attention during a fleeting period of intense popularity. It is incumbent for merchandisers to match the right products with the appropriate licensing opportunities to craft a strategy for maximizing sales.

Piracy in anime is often associated with the illegal downloading of shows, but illegitimate merchandise is also an issue that the industry has been dealing with from its inception. It can be difficult for consumers to tell the difference between legitimate and counterfeit goods. And sometimes merchandise is not available for legitimate purchase, especially for niche merchandise in developing markets. While pirated merchandise is a problem it's not all bad news – the industry is cracking down on fake merchandise (especially at conventions) and working on expanding supplies of legitimate goods to meet consumer demand.

Pillar #3: Gaming and Anime

Video games represent one of Japan's largest cultural exports of recent decades, and a clear connection exists between this industry and anime - another important Japanese cultural export. This connection is a deep one. Nine out of 10 Crunchyroll viewers, for instance, are members of the video gaming community.⁸ With market researchers like Newzoo pegging the size of the overall video game revenues at more than \$135 billion annually⁹, a deep connection with the video game market represents a lucrative opportunity for the anime industry.

Anime and video games share more than consumers. The single most profitable franchise of Namco (creator of Pac-man, Gallaga) was Gundam – which started as an anime. The fact that this \$600 million franchise is so important to a major video game studio is a clear sign of the connection between the two industries.¹⁰

Gundam isn't the only franchise to span the mediums. Some games like *Tales of Symphonia*, *Devil May Cry*, *Bayonetta*, and *Pokémon* go on to become anime

⁷ [Testimonial from convention vendor and artist -- Feb 2018](#)

⁸ [DMR -- Crunchyroll Business statistics -- Nov 2018](#)

⁹ [New Zoo -- Global Games market Revenue report -- April 2018](#)

¹⁰ [Forbes -- Gundam tops Bandai Namco's Earning Report -- Nov 2014](#)



Figure 3: Comparison of "Devil May Cry" anime content and video

themselves. In some cases, the anime can be more than just another product related to the game and can serve a synergistic role. For example, the *Pokémon* anime provided more backstory to the relatively simple games in its early history and retained fan's attention in the series between releases of the games. Traveling the opposite path of development, many anime like *Dragon Ball Z*, *Berserk*, *Digimon*, *Naruto* end up becoming adapted as games.

On the personal computing platform, no name is larger in video games than Valve. The company's electronic storefront (named Steam) has become the de-facto distribution hub for electronic PC games. Initially not a major force on Steam, anime games have grown to become an important part of Steam's ecosystem in recent years.

One of the first anime style games to become popular on Steam was a PlayStation 3 game called *Valkyria Chronicles* that was re-released on the PC platform. *Valkyria Chronicles* reached #1 on Steam sales charts when it was added to the platform,¹¹ with a player base of approximately 40% of the major title *Assassin's Creed: Unity*. This is more incredible given that *Assassin's Creed* had a major marketing campaign behind it while *Valkyria Chronicles* relied on word of mouth to reach the more than 600,000 people who bought it.

The success of anime games in Steam has not been limited to one franchise. Even visual novels like *Steins;Gate* or niche games like *Hyperdimension Neptunia Re;birth* (which was able to move 200,000 units)¹² have done well on the platform.

In fact, 2,007 games now are identified by their publishers as related to anime¹³ (according to the metadata tags that publishers associate their games with) on the Steam store. Not all of these games are strictly anime related. For example, *Tekken 7* has little relation to anime, but it is one of the top sellers tagging itself as part of the anime genre. This underscores the growing value anime brings to the table for would-be partners in related industries: A game developer will mark its content as related to anime (even if the game only has a tangential relationship) in order to drive sales.

¹¹ [The Escapist -- Six-Year-old JRPG beats Assassin's Creed Unity in Steam charts -- Nov 2014](#)

¹² [SteamSpy records for game Nov 2018](#)

¹³ [Steam store page for Anime games](#)

Previously anime style games and visual novels were only available on PC from smaller publishers and specialized websites. Having these games sold alongside other games on a centralized market like Steam will provide more exposure for anime style games than was possible before. Of course, Steam is not the only place to go for anime-related games. Smaller stores like Manga Gamer will continue to exist and cater to players who are specifically interested in visual novels and games based on anime.

Pillar #4: Live Events

Typical North American anime conventions are exciting, fun filled events. Fans pay an entry fee at the start of the weekend to see live productions of shows and Japanese music videos, visit a market, enjoy cosplay (fans elaborately dressing up their favorite character) and to listen to panels that increasingly include visits from industry superstars straight from Japan.

Aside from their entertainment value, these conventions provide a number of functional benefits for the industry. Conventions serve as centers of promotion for anime. News outlets (including local, industry, and industry adjacent publications) cover the spectacle and introduce the industry to a wider audience. As mentioned before, commerce and the sale of merchandise happens at these conventions. Both corporate and individual productions of art, merchandise and related goods can be found at these events. Finally, these events provide a way for veteran fans to meet up and network with each other while also providing a warm and welcoming introduction to the medium for new fans.

Based on convention activity already taking place in Japan, North America appears to have ample room for substantial growth in anime-related convention activity. Comiket (a Japanese convention, name is a portmanteau of Comic Market) started in 1975 with 700 attendees.¹⁴ It had grown to 100,000 attendees by 1989 and more than quadrupled in size over the course of the next 15 years. Today, the Comiket event draws 550,000 people during each of its 3-day runs which happen twice a year.¹⁵

While Comiket is focused largely on fans and amateur creations, other conventions exist in Japan as well. Some are hosted by a specific company- the popular Jump Festa event, for instance, is held by magna publisher Shonen Jump. Others are more akin to traditional industry trade conventions. The Kyoto International Manga Anime Fair (which attracted over 40,000 attendees in 2015) is a good example of this kind of a convention. Each of the different types of conventions provides a slightly different flavor of experience for its attendees, all bringing the benefits of large events.

¹⁴ [History of Comiket -- Nov 2018](#)

¹⁵ [Comiket self-promotional material Dec 2009](#)

There is no reason that a North American convention can't produce the same results (or better) as Comiket. With a population three times larger in the United States than Japan, the only barrier is expanding consumer interest in the medium—an obstacle that appears to be crumbling. Crunchyroll Expo, Crunchyroll's owned and operated anime convention that was held over the 2018 Labor Day holiday, for instance, drew 45,000 in turnstile attendance — a 40% gain compared to the prior year's event.¹⁶ These large numbers are not limited to one or two conventions. Around the United States and Canada, more than a dozen conventions claim attendance of more than 20,000 people. It is interesting to note that North America is following the Japanese model of having different events produced by different groups, whether they are fans, a specific company or the wider industry.

Another example of a successful convention is the largest event in North America, the Los Angeles Anime Expo. This event illustrates the type of traction that anime events can generate outside of Japan. Not only did the Los Angeles event draw 107,000 unique visitors at its 2017 convention, but it also hosted 150 content creators and voice actors involved in anime production. By hosting world premieres of highly anticipated projects and more than 400 exhibit booths, Anime Expo has become a cultural event. It is growing to the point where it can be considered as influential as a Comic Con or Pax. The Anime Expo in Los Angeles is only one of a dozen conventions that had more than 20,000 visitors last year.¹⁷

Concluding Thoughts

By traveling a path not taken by western animation developers, Japan was able to create a unique product that transcends demographic differences and national boundaries to provide entertainment to people around the globe. Along the way, these Japanese pioneers created new approaches to storytelling and fresh animation techniques to give birth to a unique content genre that is emerging as a vital part of a new generation's media diet. The growth of anime conventions and mainstream acceptance of the medium show that it is here to stay.

While by itself anime is a powerful force, the synergies it has with video games and merchandise take the industry to a completely different level.

Japanese animation is a vibrant, growing, profitable industry that shows no signs of stopping. This report is a foundation for a series of market-sizing efforts that will be published by Wainhouse Research in the coming months.

¹⁶ [Crunchyroll -- Post-Con Wrap Up -- Sept 2017](#)

¹⁷ [AnimeCons.com Largest NA anime conventions of 2017 -- Jan 2018](#)

About the Author



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About Wainhouse Research



Wainhouse Research, www.wainhouse.com, is an independent analyst firm that focuses on critical issues in Unified Communications and Collaboration (UC&C) and collaborative educational technologies, including learning, talent, and education markets. The company conducts custom research studies, consults with end users on key implementation issues, publishes white papers and market statistics, and delivers public and private seminars as well as speaker presentations at industry group meetings.

About Crunchyroll, sponsor of this paper



[Crunchyroll](https://www.crunchyroll.com) is the world's largest destination for anime and manga, boasting a global community of more than 40 million registered users and over 2 million subscribers. Fans connect through the most complete anime library including "Naruto Shippuden," "Attack on Titan," and "Dragon Ball Super," events such as Crunchyroll Expo, Anime Awards, Crunchyroll News, and can purchase related merchandise through its online store. Through its app on game consoles, set-top boxes, mobile devices and more, Crunchyroll delivers content from leading media producers directly to viewers translated professionally in multiple languages. The service is available for free or through a premium offering that allows users to watch ad-free with access to simulcasts—top series available immediately after Japanese broadcast.

Fans can also view Crunchyroll on [VRV](https://www.vrv.com), a fandom--focused aggregation platform featuring premium SVOD channels and a curated house channel, VRV Select.